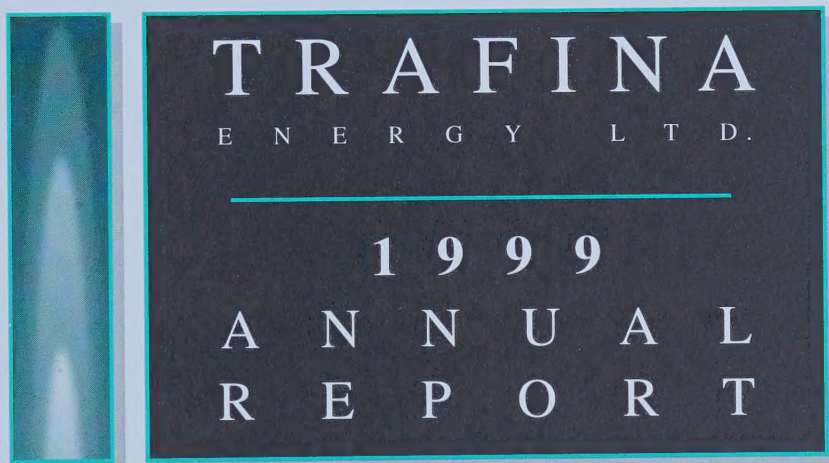


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ANNUAL GENERAL MEETING

The Annual General Meeting of Shareholders will be held on July ²¹~~18~~, 2000, at 9:15 am in the Second Floor Conference Room of 505 - 3rd Street SW, Calgary, Alberta. The Board of Directors, Management and Staff of TRAFINA welcome the opportunity to meet shareholders and interested persons. *Shareholders unable to attend the meeting are asked to complete and return the Proxy Form mailed with the Annual Report.*

TRAFINA'S WAYS

Honesty and Integrity: *We wish to act fairly in our business dealings.*

Achievement: *We try to make our contributions to others and ourselves.*

Communication: *We try to have open and honest communications in all our workings.*








Pollution Prevention: *Continually improve our processes to minimize pollution and waste.*

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GLOSSARY OF ABBREVIATIONS

AB	Province of Alberta	MBOE	Thousand Barrels of Oil Equivalent
API	American Petroleum Institute	Mcf	Thousand Cubic Feet
ARTC	Alberta Royalty Tax Credit	Mcf/d	Thousands of Cubic Feet per Day
AEUB	Alberta Energy Utilities Board	Mmcf	Millions of Cubic Feet
Ave	Average	NGLs	Natural Gas Liquids
Bbl	Barrel of Oil	PV	Present Worth Value
Bbls	Barrels of Oil	APO	After Payout
Bbls/d	Barrels per Day	BPO	Before Payout
MBbls	Thousands of Barrels	GORR	Gross Overriding Royalty
Bcf	Billion Cubic Feet	NCI	Net Carried Interest
BOE	Barrel of Oil Equivalent	NEB	National Energy Board of Canada
BOE/d	Barrel of Oil Equivalent per Day	WTI	West Texas Intermediate
M	Thousand	WI	Working Interest
MM	Million		

MAP SYMBOLS	 TRAFINA Gas Well	 Proposed 2000 Location	 Seismic Line	 Gas Plant
	 TRAFINA Oil Well	 TRAFINA Land	 Gathering Line	

HIGHLIGHTS

	1999	1998	% Change
FINANCIAL			
Revenue from oil and gas sales (\$)	1,186,216	985,832	+20
Cash flow from operations (\$)	437,936	348,861	+26
Per share (\$)			
-basic	0.10	0.08	+25
-fully diluted	0.09	0.07	+29
Income before tax (\$)	203,170	131,619	+54
Net income (loss) (\$)	112,185	71,619	+57
Per share (\$)			
-basic	0.03	0.02	+50
-fully diluted	0.02	0.02	0
Weighted average shares outstanding	4,310,586	4,431,969	- 3
Outstanding shares at year end	4,188,250	4,379,250	- 4
Capital expenditures (\$)	301,096	387,714	-22
Long term debt, net of working capital (\$)	717,321	812,089	-12
OPERATING			
Production			
Natural gas (Mcf/d)	1,127.0	1,243.0	-9
Natural gas liquids (Bbls/d)	7.1	4.0	+78
Crude oil (Bbls/d)	17.7	12.0	+48
Total (BOE/d)	137.5	140.3	-2
BOE/d per weighted average MM shares outstanding	31.9	31.6	+1
Average sales price			
Natural gas (\$/Mcf)	2.45	2.20	+11
Natural gas liquids (\$/Bbl)	16.53	13.77	+20
Crude oil (\$/Bbl)	20.32	12.14	+67
Total BOE (\$/BOE)	23.56	19.15	+23
Reserves (proven and probable)			
Natural gas (Mmcf)	4,111.0	5,543.0	-26
Oil and natural gas liquids (MBbls)	102.9	114.9	-10
Total BOE (MBbls)	514.0	669.3	-23

REPORT TO SHAREHOLDERS

- ◆ Revenues up 20%
- ◆ Cash flow up 26%
- ◆ Net earnings up 57%
- ◆ Rate of return pre-tax on share holder equity up 47%
- ◆ Bank debt net of working capital reduced by 12%

TRAFINA completed another year in 1999, showing consistent growth in revenues, cash flows, earnings, and rate of return on shareholder equity.

1999 HIGHLIGHTS

TRAFINA's most significant events that occurred during 1999 are:

- ◆ Revenues increased by 20% to \$1.19 million, cash flows were up by 26% to \$437,936, and after tax earnings were up by 57% over 1998 year-end results. Cash flow per share increased by 25% to 10¢ per share, up from 8¢ in 1998. Earnings for the period increased to 3¢ per share to December 31, 1999 compared to 2¢ in 1998.
- ◆ TRAFINA exited December 1999 at 145 BOE/d. Production during 1999 was flat due to plant turnarounds in and a reduction of production from the Bindloss 6-28 well, up from 113 BOE/d in 1998. Natural gas production decreased by 9% to 1,127 Mcf/d in 1999, compared to 1,243†Mcf/d in 1998. Oil and natural gas liquids increased by 55% to 24.8†Bbls/d in 1999, up from 16†Bbls/d in 1998.
- ◆ During 1999, TRAFINA earned a 28% pre-tax rate of return on shareholder equity, up 47%, compared to 19% earned in 1998.

GOING FORWARD


TRAFINA recorded consistent increases in cash flow, earnings, retained earnings and rate of return on shareholders equity. These increases were all achieved on the pathway through year when managing oil and gas assets has meant a more hands-on approach to increasing the rate of return on shareholder equity.

The achievements of 1999 will serve as the basis to build and move forward in 2000 as we look forward to participating in drilling 5 to 8 new prospects and completing further financial arrangements to increase our drilling activities. Three of these wells will be drilled in the first quarter, a fourth well is planned for the second quarter, and the balance of our drilling plans to be completed during the last half of the year.

ACKNOWLEDGMENTS

We are conscious of the patient support of our shareholders as we move forward and would like to acknowledge their support, as well as the support of our staff, stakeholders and clients.

On behalf of the Board,



Roland T. Valentine

OPERATIONS REVIEW

The majority of TRAFINA's producing core areas are non-operated. Due to weak oil and gas prices during the first half of 1999, operators curtailed drilling plans until the fall and winter months of the year, or 2000. TRAFINA participated in the workovers of three wells in the Carson Creek and Jenner areas. One suspended well was re-activated in the Jenner area.

PRODUCTION

TRAFINA's 1999 annual production averaged 138 BOE/d. TRAFINA's gas sales averaged 1,127 Mcf/d, down 9.4% compared to 1998. Lower gas sales from the Bindloss 6-28-22-05 W4 and Carson Creek 6-18-61-11 W5 wells were partially offset by the re-activation of the Atlee Buffalo 8-25-21-06 W4 well. Oil and NGL's production was up 55% during 1999 due to more producing time for the Jenner Sec 26-21-08 W4 oil wells plus a full year of production for the Judy Creek 7-8-63-11 W5 gas well.

Comparative production statistics by field for 1999 and 1998 are tabulated below:

Production by Area	Company Share before Royalty		
	1999	1998	% Change
Natural gas (Mcf/d)			
Bindloss	375	520	-28
Carson Creek	373	423	-12
Jenner	219	160	+37
Judy Creek	80	39	+105
Wetaskiwin	80	102	-22
	<u>1,127</u>	<u>1,244</u>	<u>-9.4</u>
Oil & NGL's (Bbbls/day)			
Carson Creek	2	2	0
Jenner	18	12	+50
Judy Creek	5	2	+150
	<u>25</u>	<u>16</u>	<u>+56</u>
Oil Equivalents (BOE/d)	138	140	-1

OIL AND GAS RESERVES

TRAFINA remains primarily a natural gas producer, with natural gas and natural gas liquids comprising 81% of TRAFINA's proved and probable reserve base at year-end 1999.

TRAFINA's proved and probable reserves at year-end 1999 were estimated to be 513,967 BOE. Production during 1999 was 50,193 BOE. Proved and probable oil and natural gas liquids reserves were 102,867 Bbbls, while proved and probable natural gas reserves were 4,111 Mmcf.

RESERVES

Reserve Category	Company Interest Reserves before Royalties		
	Oil & NGLs Bbbls	Natural Gas Mmcf	Oil Equivalents BOE ⁽³⁾
Proved and probable (Dec. 31, 1998) ⁽¹⁾	114,945	5,543	669,245
Total proved ⁽²⁾	60,959	3,915	452,459
Probable (unrisked) ⁽²⁾	41,908	196	61,508
Proved and probable (Dec. 31, 1999) ⁽²⁾	102,867	4,111	513,967

⁽¹⁾ From independent reserve appraisals prepared by Sproule Associates Limited dated February 22, 1999 and by Ryder Scott Company dated February 25, 1999.

⁽²⁾ From independent reserve appraisals prepared by Sproule Associates Limited dated March 14, 2000 and by Ryder Scott Company dated May 4, 2000. Sproule and Ryder Scott evaluated the same geographic areas at year-ends 1998 and 1999.

⁽³⁾ Oil equivalents calculated by TRAFINA using Sproule's and Ryder Scott's reserve volumes, converting natural gas and natural gas liquids to oil equivalents using conversion ratios of 10.0:1 and 1.0:1.0, respectively.

TRAFINA's reserves by geographic area are set forth below:

Reserves by Area	Oil & NGLs Bbls	Natural Gas Mmcf	Oil Equivalents BOE	% of Total
Proved reserves				
Bindloss	0	1,444	144,400	31.9
Carson Creek	3,300	978	101,100	22.4
Jenner	54,359	689	123,259	27.2
Judy Creek	3,300	54	8,700	1.9
Wetaskiwin	0	750	75,000	16.6
	60,959	3,915	452,459	100.0

Probable Reserves

Bindloss	0	15	1,500	2.4
Jenner	41,908	181	60,008	97.6
	41,908	196	61,508	100.0

RECONCILIATION OF RESERVES

Changes to TRAFINA's proved and probable reserves during the period December 31, 1996 through December 31, 1999 are tabulated below:

Reserve Changes	Oil & NGLs (MBbls)			Natural Gas (Mmcf)		
	Proved	Probable	Total	Proved	Probable	Total
Dec. 31, 1996	44.3	42.3	86.6	3,090	1,036	4,126
Acquisitions/dispositions	0	0	0	-20	0	-20
Additions/revisions	5.0	-3.0	2.0	711	755	1,466
1997 Production	-3.9	0	-3.9	-373	0	-373
Dec. 31, 1997	45.4	39.3	84.7	3,408	1,791	5,199
Acquisitions/dispositions	0	0	0	0	0	0
Additions/revisions	64.4	-28.2	36.2	1,987	-1,189	798
1998 Production	-5.9	0	-5.9	-454	0	-454
December 31, 1998	103.9	11.1	115.0	4,941	602	5,543
Acquisitions/dispositions	0	0	0	0	0	0
Additions/revisions	-33.8	30.8	-3.0	-615	-406	-1,021
1999 Production	-9.1	0	-9.1	-411	0	-411
December 31, 1999	61.0	41.9	102.9	3,915	196	4,111

Proved oil reserves were reduced by 33,800 Bbls during 1999 mainly for the Atlee Buffalo 8-25-21-6 W4 well, which was re-activated during July 1999 but produced mainly gas with limited amounts of oil. The oil remains in the reservoir but will require the installation of an enhanced recovery project for its recovery. Probable oil reserves were added in the Jenner Sec 26-21-08 W4 property based upon the successful results from two new horizontal wells drilled subsequent to year-end 1999.

Proved and probable natural gas reserves were reduced by 1,021 Mmcf during 1999. Reductions were made to reserves in the West Bindloss and Wetaskiwin areas while additions were made in the Carson Creek area.

FUTURE NET CASH FLOWS

Present Values

Based upon Sproule's and Ryder Scott's reserve appraisals, the before tax present value of TRAFINA's proved and probable reserves (future net revenue discounted at 10%) at year-end 1999 is \$4.5 million.

Reserve Class	Present Value of Future Net Revenue before Tax		
	Undiscounted (\$ 000)	10% (\$ 000)	15% (\$ 000)
Total proved plus probable December 31/98	9,670	5,367	4,439
Total proved	6,930	4,036	3,385
Probable (unrisked)	<u>870</u>	<u>466</u>	<u>361</u>
Total proved plus probable December 31/99	7,800	4,502	3,746

Future net revenues is TRAFINA's share of revenues from the sale of hydrocarbons less royalties, operating costs and future development costs plus ARTC but prior to any provision for income taxes, overhead and interest costs. It should not be assumed that the discounted value of estimated future net revenues is representative of the fair market value of TRAFINA's reserves.

Actual selling prices for TRAFINA's production between January and May 2000 have been considerably higher than those forecast in Sproule and Ryder Scott's appraisals. This is especially true for uncontracted gas sold into the intra-Alberta market where term prices net of transportation for the next year are approximately \$4.00/Mcf compared to \$2.84/Mcf and \$2.79/Mcf forecast by Sproule and Ryder Scott.

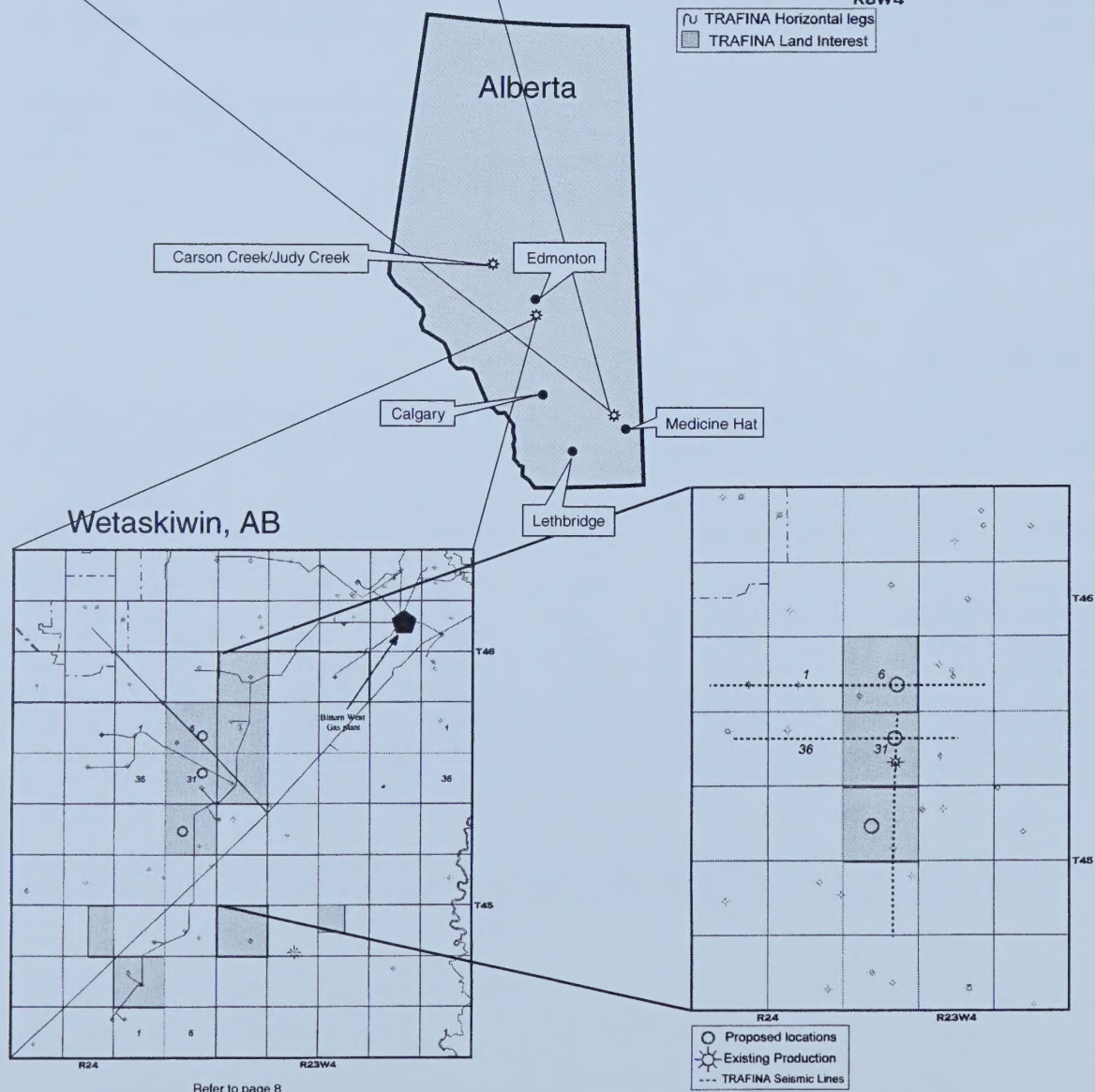
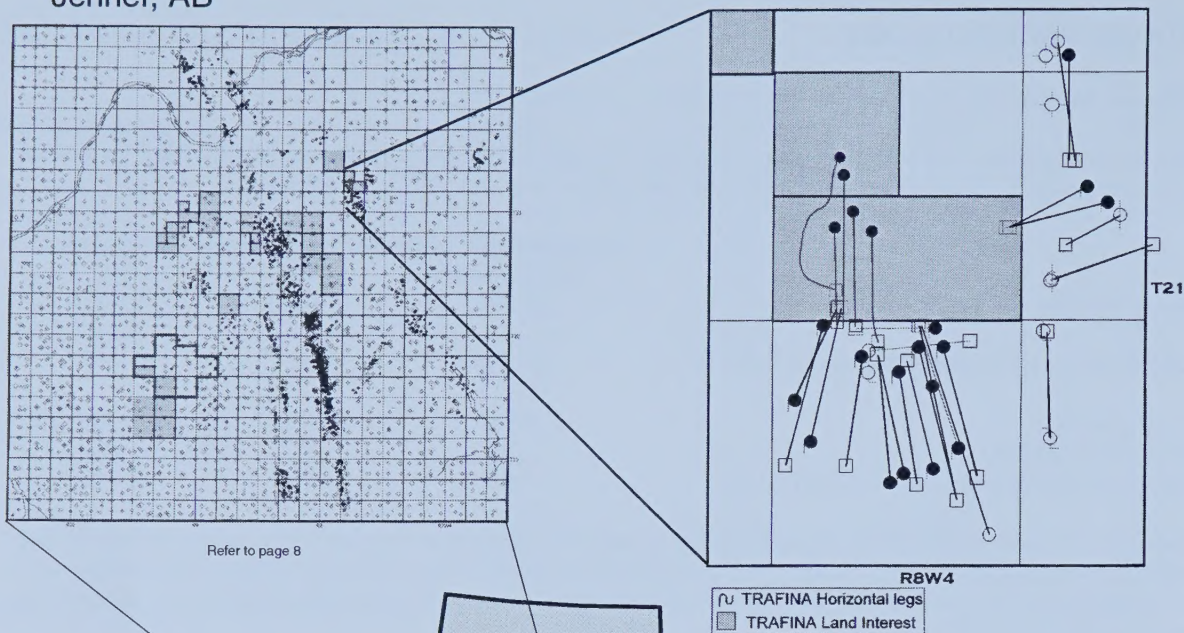
LAND REVIEW

TRAFINA has interests in 107,120 gross acres (6,656 net acres) as at December 31, 1999. TRAFINA has acquired new land in three new areas in 1999, of which we have added to our total acres 3,820 net undeveloped acres.

ALBERTA	DEVELOPED		UNDEVELOPED		TOTAL AREA	
	Gross	Net	Gross	Net	Gross	Net
Bindloss	28,160	963	49,120	1,681	77,280	2,644
Carson & Judy Creek	4,320	370	3,520	352	7,840	722
Jenner/Atlee Buffalo	9,600	508	5,280	385	14,880	893
Wetaskiwin	2,240	318	3,280	1,040	5,520	1,358
Other	<u>0</u>	<u>0</u>	<u>1,600</u>	<u>1,600</u>	<u>1,600</u>	<u>1,600</u>
Total (acres)	44,320	2,159	62,800	5,058	107,120	7,217

MAJOR PROPERTIES

Jenner, AB



MAJOR PROPERTIES

BINDLOSS, ALBERTA

GAS

In the Bindloss area, TRAFINA has a 3.42% NCI in the Bindloss Unit No. 1 (the "Unit") plus a 10% NCI on 1920 acres of non-unitized deeper rights with one producing Mannville gas well.

The Bindloss Unit No.1 produces gas from the Viking Formation and has produced over 312 Bcf since production

began during 1957. TRAFINA's share of the gas sales from the Unit averaged 288 Mcf/d during 1999 compared to 290 Mcf/d during 1998. TRAFINA's average 1999 selling price was \$2.36/Mcf compared to \$2.01/cf during 1998. The gas is contracted to TransCanada Gas Services under a long-term sales contract.

Lands	77,280 acres (gross), 2,643 acres (net)
Interests	Gas Unit #1: 3.42% NCI, Non-unit: 10.0 NCI
Wells	50 (gross), 24 (producing)
Producing Zones	Viking (unitized zone) Lower Mannville (non-unit)
Est. Proved Reserves	Unit: 37.0 Bcf (gross), 0.9 Bcf (net) Non-Unit: 2.3 Bcf (gross), 0.2 Bcf (net)
1999 Production	9,282 Mcf/d (gross), 375 Mcf/d (net)
2000 Activity	Potential workovers to activate shut-in wells presently incapable of production due to damage.



Ryder Scott estimates the Unit's remaining proved reserves exceed 37 Bcf with a remaining reserve life in excess of 50 years. This long reserve life results from the low well density within the Unit area of 77,280 acres (120.75 sections) with only 23 producing wells. During 2000, the Operator plans to investigate means to accelerate production through activation of shut-in wells and/or drilling new wells.

In the West Bindloss area, total gas produced from the non-unitized Mannville Formation from the 06-28-22-05 W4/00 well declined from approximately 1,700 Mcf/d during January 1999 to 245 Mcf/d during December 1999. Consequently, TRAFINA's share of gas sales during 1999 averaged 88 Mcf/d, down from 230 Mcf/d during 1998. The Operator did a workover on this well in the 4th quarter of 1999 to repair a leak in the tubing of this dually-completed well and to obtain a reservoir pressure. Since no conclusive reasons were found for the wells production decline, the Operator is unsure if this well can be restored to its former productivity.

CARSON CREEK, ALBERTA

GAS

Carson Creek remains an important core property for TRAFINA, contributing over 28% of total production volumes during 1999. Gross Company production during 1999 averaged 374 Mcf/d of gas and 1.6 Bbl/d of NGLs compared to 423 Mcf/d of gas and 1.8 Bbl/d of NGLs during 1998.

Lands	7,200 acres (gross), 674 acres (net)
Interests	Generally 10% WI
Wells	7 (gross), 5 (producing)
Producing Zones	Nordegg, Pekisko, Notikewin, Viking
Est. Proved Reserves	Gas: 10.9 Bcf (gross), 1.0 Bcf (net) NGLs: 78.4 MBbl (gross), 6.6 MBbl (net)
1999 Production	Gas: 4,205 Mcf/d (gross), 374 Mcf/d (net) NGLs: 16 Bbl/d (gross), 2 Bbl/d (net)
2000 Activity	Drill 1 development well, 1 exploratory well, install additional compression.



The majority of the Company's gas is produced from wells completed in the Carson Creek Nordegg "A" pool. TRAFINA has a 10% working interest in these lands, which contain 2 producing gas wells and 2 shut-in wells awaiting installation of additional compression.

During 1999, the Operator undertook several exploitation projects intended to maximize production from the Carson Creek South Gas Project. A 3.5 km inter-connection to the Petro-Canada Whitecourt Gas Gathering System was installed to ensure adequate sour gas processing capacity was available for the Joint Venture's gas. Major workovers were attempted on two existing wellbores intended to establish gas production from the Pekisko formation. The Pekisko formation was incapable of sustained production against 550 psig line pressure and these zones remain shut-in.

The Joint Venture plans to install additional compression at the Carson Creek East Sour Gas Processing Facility during the 2nd quarter 2000. This will allow the line pressure in the gathering system to be lowered and gross production levels increased by at least 2 Mmc/d (200 Mcf/d TRAFINA's share).

Approximately 36 km of new 2-D seismic was shot and processed during the 2nd quarter of 1999. Using this seismic data, one additional Nordegg development well was drilled at 14-08-61-11 W5M during March 2000. The 14-08 well will be tied into during 2nd quarter 2000. Also, one exploratory location was defined by this new seismic and will likely be drilled later in year 2000.

JUDY CREEK, ALBERTA

GAS & OIL

TRAFINA has a 7.5% pooled interest in one section in the Judy Creek area containing one producing Notikewin gas well. Since the 7-8 well commenced production during September 1998, year - over - year production comparisons are misleading.

Gross gas sales rates fell from 1,471 Mcf/d during January 1999 to 745 Mcf/d during December 1999 due to a decline in the well's flowing pressure. The Operator is now reviewing compression for the whole gathering system as a means to increase gas sales.

Lands	640 acres (gross), 48 acres (net)
Interests	7.5% pooled WI
Wells	1 (gross), 1 (producing)
Est. Proved Reserves	Gas: 724 Mcf/d (gross), 54 Mcf/d (net) NGLs: 44.6 Bbl/d (gross), 3.3 Bbl/d (net) NGLs: 65 Bbl/d (gross), 5 Bbl/d (net)
1999 Production	Gas: 1,065 Mcf/d (gross), 80 Mcf/d (net) NGLs: 65 Bbl/d (gross), 5 Bbl/d (net)
2000 Activity	Install compression.

JENNER, ALBERTA

GAS & OIL

Jenner has become TRAFINA's largest producing area with 1999 production of 40 BOE/d (219 Mcf of gas and 18 Bbl/d of oil and NGLs), up 43% from 1998 production of 28 BOE/d.

During July 1999, one shut-in Glauconite oil well was re-activated after being shut-in for 13 years.

Lands	14,880 acres (gross), 893 acres (net)
Interests	Varying working and royalty
Wells	30 (gross)
Producing Zones	Milk River, Medicine Hat, Second White Specks, Glauconite, and Arcs
Est. Proved Reserves	Gas: 9.2 Bcf (gross), 0.7 Bcf (net) Oil & NGLs: 540.0 MBbl (gross), 54.4 MBbls (net)
1999 Production	Gas: Est. 2,200 Mcf/d (gross), 219 Mcf/d (net) Oil & NGLs: Est. 190 Bbl/d (gross), 18 Bbl/d (net)
2000 Activity	Two horizontal oil wells were drilled between March - April 2000. Possibility of 2 additional wells in late 2000.

The 8-25 well is producing approximately 10 Bbl/d of oil and 500 Mcf/d of sales gas (8.4 BOE/d net to TRAFINA). Gas conserved from this well is sold to the area Operator at the intra-Alberta spot price, which has exceeded \$3.00/Mcf since the fall of 1999.

TRAFINA's Jenner lands contain substantial heavy oil reserves within the Glauconite formation. Realized prices at the wells ranged between \$5.59 Cdn/Bbl and \$11.15 Cdn/Bbl during the period January 1998 through February 1999. At these prices, there was no economic incentive to produce these reserves. Once world oil prices started to rebound during April 1999, the Operator took steps to raise production. On an annualized basis, TRAFINA's oils sales averaged 18 Bbl/day during 1999 compared to 12 Bbl/day during 1998.

Two additional horizontal Glauconite heavy oil wells were drilled in Jenner at the end of the 1st quarter of 2000. Both wells are awaiting tie-in. Depending upon the performance of these two horizontal wells, two more horizontals may be drilled during the 4th quarter of 2000. Realized wellhead prices presently exceed \$30.00 Cdn/Bbl for this oil as it has been up-graded with light oil.

WETASKIWIN, ALBERTA

GAS

Gas produced from the 7-31-45-23 W4 well during 1999 averaged 80 Mcf/d, down from 102 Mcf/d during 1998. Although the Wetaskiwin area contributed only 6% of the Company's total 1999 production, it has the greatest potential of the existing core areas for production and reserve additions during the year 2000 and thereafter.

Lands	5,520 acres (gross), 1,358 acres (net)
Interests	Varying working and royalty
Wells	6 (gross)
Producing Zones	Glauconite, Basal Quartz, Belly River
Est. Proved Reserves	0.8 Bcf (gross), 0.8 Bcf (net)
1999 Production	80 Mmc/d (gross), 80 Mcf/d (net)
2000 Activity	2 wells to be drilled in 2000

During 1999, TRAFINA purchased and reprocessed existing trade seismic to better define drillable prospects. Our geological and geophysical studies have identified at least 3 low-risk drillable locations.

TRAFINA's Wetaskiwin lands offer excellent economics since these lands are close to gross under-utilized gas infrastructure and are uncontracted. Intra-Alberta term gas prices are in excess of \$3.70/Mcf while transportation and processing fees are quite reasonable.

The first location that will be drilled lies within Sec 31-45-23 W4 and will be a replacement wellbore for the 7-31 well. Seismic data indicates that there is a more favorable drainage point in the NE/4 of Sec 31 to deplete the Wetaskiwin Glauconite "E" Pool.

Another of the drilling prospects lay on open Crown land, which was posted and purchased subsequent to year-end 1999.

MANAGEMENT'S DISCUSSION & ANALYSIS

	1999 \$	1998 \$	% CHANGE
Gross Revenue	1,186,216	985,832	+20
Royalties net of ARTC	172,428	136,365	+26
Revenue, net of royalties and ARTC	1,013,788	849,467	+19
Operating expenses	197,790	178,987	+11
Cash flow from operations	437,936	348,861	+26
Cash flow per share - basic	0.10	0.08	+25
- fully diluted	0.09	0.07	+29
Net income (loss) before income taxes	203,170	131,619	+54
Net earnings (loss)	112,185	71,619	+57
Net earnings (loss) per share - basic	0.03	0.02	+50
- fully diluted	0.02	0.02	0
Capital expenditures	301,097	387,714	-22
Long-term debt, net of working capital	717,321	812,089	-12

DETAILED FINANCIAL ANALYSIS

PRODUCTION REVENUE

TRAFINA's petroleum and natural gas revenue, net of royalties, increased 19% to \$1,013,788 in 1999 from \$849,467 in 1998. The increase in production revenue was related to improved oil and liquids production volume and the increase in price of natural gas and oil.

ROYALTIES

Total royalties, net of ARTC, increased 26% to \$172,428, or \$3.44 per BOE in 1999 from \$136,365, or \$2.67 in 1998 due to increased commodity prices and a reduction in ARTC payable. Royalties payable to the Province of Alberta are reduced through the Alberta Royalty Tax Credit program (ARTC). ARTC is reduced as the price of oil increases. For the year ended December 31, 1999, TRAFINA has been credited with a \$78,844 ARTC rebate compared to \$95,072 for the same period in 1998.

Analysis of Royalties

	1999 \$	1998 \$	% CHANGE
Crown royalty	198,973	191,714	+4
Freehold royalty	16,989	9,525	+78
Overriding royalty	35,310	30,198	+17
Alberta Royalty Tax Credit	(78,844)	(95,072)	-17
Total royalties	172,428	136,365	+27

OPERATING EXPENSES

Total operating expenses increased 11% to 197,790 to December 31, 1999 as a result of a one-time workover of one of the facilities in Bindloss during December and partial production years for wells in the Judy Creek and Jenner areas of Alberta.

Analysis of Operating Expenses

	1999 \$	1998 \$	% CHANGE
Production expenses	190,935	171,554	+11
Lease rental expenses	6,855	7,433	- 8
Total operating expenses	\$197,790	\$178,987	+11

NETBACKS

TRAFINA's average operating netback increased 24% to \$16.18 per BOE, to December 31, 1999, from \$13.00 per BOE last year. This change is due to the increases in the contracted sales prices of oil and natural gas, and increased liquids and oil production. The following table compares netbacks of 1999 and 1998.

Analysis of Netbacks

	1999 \$/BOE	1998 \$/BOE	% CHANGE
Sales price	23.56	19.15	+23
Royalties (net of ARTC)	(3.44)	(2.67)	+29
Operating expenses	(3.94)	(3.34)	+14
Lease rental	(0.14)	(0.15)	- 7
Average operating netback	16.04	13.00	+24

GENERAL AND ADMINISTRATION EXPENSES

General and administration expenses, before capitalization, and allocation to gain on sales of fixed assets, increase 4% to \$402,266 to December 31, 1999 compared to \$388,098 in 1998. On a net basis, general and administration expenses increased 21% to \$312,022 to December 31, 1999 compared to \$258,157 in 1998, mainly due to an 31% reduction in capitalized expenditures to \$90,244 versus \$129,891 in 1998.

BANK CHARGES

Bank charges decreased by 41% to \$2,057 to December 31, 1999 compared to \$3,479 to December 31, 1998 due to a larger use of our banking arrangements.

Analysis of Bank Charges

	1999 \$	1998 \$	% Change
Bank Charges	2,057	3,479	-41

INTEREST EXPENSES

Interest expense increased to \$66,039 in 1999 compared to \$63,462 in 1998. This marginal increase in interest expense of 4% is mainly due to having a higher level of debt outstanding during 1999. Interest expense was covered by cash flow 7 times in 1999. The weighted average interest rate was 7.8% in 1999, compared to 7.7% in 1998, and interest expense per BOE increased 6% from \$1.24 per BOE to \$1.32 per BOE in 1999.

Analysis of Interest Expense

	1999	1998	% Change
Interest expense (\$)	66,039	63,462	+4
Average long-term debt outstanding (\$)	848,429	825,000	+3
Average annual interest rate (%)	7.8	7.7	+1
Interest expense (\$/BOE)	1.32	1.24	+6

DEPLETION, DEPRECIATION AND SITE RESTORATION

Depletion and depreciation increased \$228,766, to \$935,001 during 1999 from an increase of \$213,742 to \$706,235 during 1998. On a production basis, in 1999 depletion and depreciation increased to \$4.56 per BOE, from \$4.18 per BOE in 1998. TRAFINA recorded a \$6,000 increase to \$26,380 in site restoration provisions, for 1999, compared to an increase of \$3,500 to \$20,380 in 1998.

Analysis of Depletion, Depreciation and Site Restoration

	1999	1998	% Change
Depletion and depreciation (\$)	228,766	213,742	+7
Site Restoration (\$)	6,000	3,500	+71
Depletion and depreciation (\$/BOE)	4.56	4.18	+9
Site Restoration (\$/BOE)	0.12	0.07	+71

INCOME TAXES

Available tax pools after December 31, 1999 were \$809,053 compared to \$957,524 in 1998. No current income taxes were payable for 1999. The Corporation does not anticipate it will be taxable in 2000. Deferred taxes increased by \$90,985 to \$421,000 during 1999, compared to an increase of \$60,000 to \$330,015 in 1998.

Analysis of Income Taxes

	Deduction Rate	1999 \$	1998 \$	% Change
Canadian exploration expense	100%	213,918	362,444	-41%
Canadian development expense	30%	175,208	204,425	-14%
Canadian oil & gas property expense	10%	14,843	590	+2,416%
Undepreciated capital cost allowance	20% - 30%	304,873	289,854	+5%
Non capital loss carryforward	100%	100,211	100,211	0%
Available tax pools		\$809,053	\$957,524	-16%

CASH FLOW FROM OPERATIONS

In 1999, cash flow from operations increased 26% to \$437,936, up from \$348,861 in 1998. This gain translated to \$0.09 per fully diluted common share, a 29% improvement over the \$0.07 per fully diluted common share recorded in 1998. Cash flow increases are chiefly a consequence of sharply higher oil and gas prices, accompanied by an increase in the volume of oil produced by TRAFINA during 1999.

EARNINGS

TRAFINA's 1999 net earnings were \$112,185, a 57% increase over the \$71,619 recorded in 1998. On a fully diluted per share basis, the 1999 net earnings remained the same due to rounding off to the nearest cent at \$0.02. On a per-unit of production basis, 1999 earnings increased by 60% to \$2.24/BOE, compared to \$1.40/BOE in 1998.

RETURN OF EQUITY

TRAFINA's pre-tax return on shareholder's equity increased in 1999 to 28% compared to 19% in 1998, an increase of 47%. The 1999 after-tax rate of return increased by 15%, up from 11% in 1998.

BANK DEBT AND LIABILITY

TRAFINA has a total credit line of \$1.0 million of which \$787,858 was drawn at December 31, 1999. Current assets plus the unused portion of our advances exceed our current liabilities by 3.6 times. Cash flow of \$437,937 exceeds our 1999 annual interest payments by 6.9 times (1999 interest charges were \$66,039). TRAFINA's net debt to equity ratio decreased to 0.99 times, to December 31, 1999, compared to 1.20 times in 1998 net debt (long-term debt of working capital has been used in the 1999 and 1998 calculations).

NET ASSET VALUE

TRAFINA's net (appraised) asset value at year-end of 1999 was ^{0.91}~~\$0.97~~ per share for each share outstanding and ^{0.83}~~\$0.89~~ in net asset value for each fully diluted share.

Analysis of Net Asset Value

	1999 \$	1998 \$	% Change
Proved reserves	4,035,860	4,779,011	-9
Probable reserves (risked at 50%)	233,069	294,500	-21
Undeveloped land and other assets (estimated by management)	275,000	165,000	+21
Working capital	70,537	96,911	-27
Long term debt	(787,858)	(909,000)	-13
Total net asset value	3,826,608	4,426,422	-8
Asset value per outstanding share	0.91	1.00	-8
Asset value per fully diluted share	0.83	0.93	-10

SENSITIVITIES

The following table sets out the sensitivities of TRAFINA's cash flow per share to changes in the prices of crude oil and natural gas, and changes in the production of crude oil and natural gas. These estimated sensitivities have no provisions for any capital requirements and other costs to arrive at each estimated cash flow per share.

Change of	Operating Netback Amount (\$)	Cash Flow Per Share (\$/sh)
\$0.10/mcf natural gas	41,000	0.01
\$1.00/bbl	9,000	0.00
1 Mmcf/d natural gas	591,000	0.14
10 bbl/d crude oil	59,000	0.01

QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

1999	1Q	2Q	3Q	4Q
Oil and gas revenue	267,161	264,141	340,968	313,946
Cash flow per basic common share	0.02	0.02	0.03	0.04
- per fully diluted common share	0.02	0.01	0.03	0.04
Net earnings per basic common share	0.00	0.00	0.01	0.01
- per fully diluted common share	0.00	0.00	0.01	0.01
1998	1Q	2Q	3Q	4Q
Oil and gas revenue	194,237	220,397	218,632	352,566
Cash flow per basic common share	0.01	0.02	0.01	0.04
- per fully diluted common share	0.01	0.02	0.01	0.04
Net earnings per basic common share	0.00	0.00	-0.01	0.01
- per fully diluted common share	0.00	0.00	-0.01	0.01
1997	1Q	2Q	3Q	4Q
Oil and gas revenue	203,321	130,885	182,984	215,051
Cash flow per basic common share	0.01	0.01	0.00	0.02
- per fully diluted common share	0.01	0.01	0.00	0.02
Net earnings per basic common share	0.00	-0.01	-0.01	0.01
- per fully diluted common share	0.00	-0.01	-0.01	0.01
1996	1Q	2Q	3Q	4Q
Oil and gas revenue	131,604	74,741	131,640	166,988
Cash flow per basic common share	0.00	0.00	0.01	0.01
- per fully diluted common share	0.00	0.00	0.01	0.01
Net earnings per basic common share	0.00	0.06	0.00	-0.02
- per fully diluted common share	0.00	0.05	0.00	-0.01

MANAGEMENT'S REPORT

The financial statements of TRAFINA Energy Ltd., were prepared by management in accordance with accounting principles generally accepted in Canada. The financial and operating information presented in this annual report is consistent with that shown in the financial statements.

Management has designed and maintains a system of internal controls to provide reasonable assurance that all assets are safeguarded and to facilitate the preparation of financial statements for reporting purposes. Timely release of all financial information sometimes necessitates the use of estimates when transactions affecting the current accounting period cannot be finalized until future periods. Such estimates are based on careful judgments made by management.

External auditors appointed by the shareholders have conducted an independent examination of the corporate accounting records in order to express their opinion of the financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises this responsibility through its Audit Committee. The Audit Committee, consisting of a majority of non-management directors has met with the external auditors and management in order to determine that management has fulfilled its responsibilities to the preparation of the financial statements. The Audit Committee has reported its findings to the Board of Directors who have approved the financial statements.



Donald J. Douglas
Chairman, Audit Committee



Roland T. Valentine
Member, Audit Committee

AUDITORS' REPORT

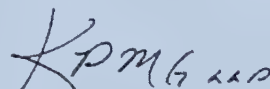
To the Shareholders of
TRAFINA Energy Ltd.

We have audited the balance sheet of TRAFINA Energy Ltd. as at December 31, 1999 and the statements of income (loss) and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material mis-statement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta
April 30, 2000



KPMG LLP
Chartered Accountants

FINANCIAL STATEMENTS

BALANCE SHEETS AS AT DECEMBER 31,

	1999 \$	1998 \$
ASSETS		
Current		
Accounts receivable	139,572	109,673
Alberta royalty tax credit receivable	29,965	95,072
Prepaid expenses	<u>9,468</u>	<u>10,787</u>
	179,005	215,532
Capital assets (note 2)	<u>1,913,908</u>	<u>1,841,578</u>
	<u>2,092,913</u>	<u>2,057,110</u>
LIABILITIES		
Current liabilities		
Bank indebtedness	-	32,280
Accounts payable	<u>108,468</u>	<u>86,341</u>
	108,468	118,621
Long-term debt (note 3)	787,858	909,000
Site restoration provision	26,380	20,380
Deferred income taxes	<u>421,000</u>	<u>330,015</u>
	<u>1,343,706</u>	<u>1,378,016</u>
SHAREHOLDER'S EQUITY		
Share capital (note 4)	315,298	329,676
Retained earnings	<u>433,909</u>	<u>349,418</u>
	<u>749,207</u>	<u>679,094</u>
	<u>2,092,913</u>	<u>2,057,110</u>

See accompanying notes

On behalf of the Board:



Director



Director

STATEMENTS OF INCOME AND RETAINED EARNINGS

YEARS ENDED DECEMBER 31,

	1999 \$	1998 \$
REVENUES		
Oil and gas sales	1,186,216	985,832
Royalties, net of ARTC	(172,428)	(136,365)
	<u>1,013,788</u>	<u>849,467</u>
EXPENSES		
Operating	197,790	178,987
General and administration	312,023	258,157
Interest	66,039	63,462
Depletion, depreciation	228,766	213,742
Site restoration	6,000	3,500
	<u>810,618</u>	<u>717,848</u>
Income before income taxes	203,170	131,619
Provision for income taxes (note 5)		
Deferred	(90,985)	(60,000)
Net income for the year	<u>112,185</u>	<u>71,619</u>
Retained earnings, beginning of year	349,418	277,799
Redemption of common shares (note 4)	(27,694)	0
Retained earnings, end of year	<u>433,909</u>	<u>349,418</u>
Net income per share		
Basic	0.03	0.02
Fully diluted	<u>0.02</u>	<u>0.02</u>

See accompanying notes to the financial statements

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31,

	1999 \$	1998 \$
CASH PROVIDED BY (USED IN):		
Net income	112,185	71,619
Items not involving cash:		
Depletion, depreciation and site restoration	234,766	217,242
Deferred income taxes	90,985	60,000
Cash flow from operations	437,936	348,861
Change in non-cash operating working capital (note 6)	58,654	(138,737)
	<u>496,590</u>	<u>210,124</u>
FINANCING:		
Issuance (cancellation) of common shares	(42,072)	(13,287)
Increase (decrease) in long-term debt	(121,142)	168,000
	<u>(163,214)</u>	<u>154,713</u>
INVESTING:		
Additions of capital assets	(301,096)	(387,714)
Decrease (increase) in bank indebtedness	32,280	(22,877)
Bank indebtedness, beginning of year	(32,280)	(9,403)
Bank indebtedness, end of year-	<u>—</u>	<u>(32,280)</u>
Cash flow from operations per share	<u>0.10</u>	<u>0.08</u>
Fully diluted funds flow from operations per share	<u>0.09</u>	<u>0.07</u>

See accompanying notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

CAPITAL ASSETS

TRAFINA Energy Ltd. (the "Corporation") follows the full cost method of accounting for its oil and gas operations. All costs related to the acquisition of and exploration for petroleum and natural gas interest are capitalized. Such costs include land and lease acquisition costs, geological and geophysical costs, costs of drilling and equipping productive and non-productive wells and capitalized general and administration costs reasonably allocated to these activities.

Proceeds from disposals are recorded as a reduction of the related expenditures without recognition of a gain or loss unless the disposal would result in a change of 20% or more in the depletion rate.

Capitalized costs are depleted and depreciated using the unit-of-production method based on the estimated proven reserves of oil and gas before royalties, as determined by independent engineers. For purposes of the depletion and depreciation calculation, natural gas reserves are converted to a petroleum equivalent unit at a rate of six thousand cubic feet of natural gas to one barrel of crude oil. The costs of unevaluated properties are excluded from the calculation until proved reserves are established or impairment occurs.

The Corporation applies a ceiling test to ensure that capitalized costs do not exceed estimated future net revenues from production of proven reserves at year end market prices less future production, administrative, financing, site restoration and income tax costs.

Office equipment is depreciated using the declining balance method at an annual rate of 20%.

SITE RESTORATION

Estimated future site restoration and removal costs, net of salvage values, are provided for using the unit-of-production method on estimated proven reserves. The annual charge is accounted for as an expense and the accumulated provision is accrued as a liability. Actual site restoration costs are deducted from the accumulated provision of the year incurred.

JOINT OPERATIONS

The majority of the oil and gas operations of the Corporation are conducted jointly with others and accordingly these financial statements reflect only the proportionate interest of the Corporation in such activities.

MEASUREMENT UNCERTAINTY

The amounts recorded for depletion and depreciation of oil and gas properties and for site restoration are based on estimated reserves and future costs. By their nature, these estimates, and those related to the future cash flows used to assess impairment, are subject to measurement uncertainty and the impact on the financial statements of future periods could be material.

INCOME TAXES

The Corporation follows the tax allocation method of accounting under which the income tax provision is based on the earnings reported in the accounts. Under this method, the Corporation provides for deferred income taxes to the extent that income taxes otherwise payable are reduced by capital cost allowances and exploration and development costs in excess of depletion, depreciation and site restoration provisions recorded in the accounts.

STOCK BASED COMPENSATION PLAN

The Company has a Stock Option Plan, which is described in note 4. No compensation expense is recognized for this Stock option Plan when stock options are issued. Any consideration paid on the exercise of stock options is credited to share capital.

2. CAPITAL ASSETS

	1999		
	Cost	Accumulated Depletion & Depreciation	Net Book Value
	\$	\$	\$
Oil and gas properties	2,095,776	669,970	1,425,806
Production equipment	648,642	211,059	437,583
Office equipment	104,491	53,972	50,519
	<u>2,848,909</u>	<u>935,001</u>	<u>1,913,908</u>

	1998		
	Cost	Accumulated Depletion & Depreciation	Net Book Value
	\$	\$	\$
Oil and gas properties	1,897,328	501,345	1,395,983
Production equipment	569,878	159,307	410,571
Office equipment	80,607	45,583	35,024
	<u>2,547,813</u>	<u>706,235</u>	<u>1,841,578</u>

During the year ended December 31, 1999, general & administrative expenses of approximately \$90,000 (Dec. 31, 1998 - \$130,000) were capitalized pertaining to the Corporation's exploration, development and property acquisition programs.

3. LONG TERM DEBT

	1999	1998
	\$	\$
Revolving production loan	<u>787,858</u>	<u>909,000</u>

The Corporation has a demand revolving operating credit facility with a Canadian chartered bank under which it can borrow up to \$1,000,000. The facility bears interest at the bank's prime rate plus one percent per annum. The loan is collateralized by a floating charge demand debenture in the amount of \$1,000,000 over the Corporation's capital assets and general assignment of book debts.

The revolving operating credit facility revolves until June 30, 2000 at which time the bank can convert the facility to a term facility with a term not to exceed five years. The bank has agreed not to demand repayment of the facility prior to January 1, 2001 and therefore the entire balance as at December 31, 1999 has been classified as long-term.

4. SHARE CAPITAL

AUTHORIZED

Unlimited number of Class A voting common shares;
Unlimited number of Class B non-voting common shares; and
Unlimited number of preferred shares issuable in series.

ISSUED

Class A common shares balance as at

	1999		1998	
	#	\$	#	\$
Balance, beginning of year	4,379,250	329,676	4,511,250	342,963
Repurchased and cancelled	(191,000)	(14,378)	(173,250)	(29,375)
Issued for stock option exercised	0	0	0	0
Issued for compensation of services	0	0	41,250	16,088
Total	<u>4,188,250</u>	<u>315,298</u>	<u>4,379,250</u>	<u>329,676</u>

During the year ended December 31, 1999, the Corporation acquired 191,000 common shares for cash proceeds totaling \$42,072. As the consideration rendered was in excess of the states value of the shares, the amount in excess totaling \$27,694 was recorded as a reduction of retained earnings.

OPTIONS

The Corporation has a stock option plan for officers, directors, consultants and key employees. At April 28, 1999, options exercisable until April 28, 2002, were outstanding to purchase 437,000 Class A common shares at a price of \$0.12 per share. On December 31, 1999, 437,000 Class A common shares were reserved for issuance under the plan. Options under the plan have a term of three years to expiry. The exercise price of each option equals the market price of the Corporation's common shares on the day before the date of the grant. Options outstanding at December 31, 1999 to acquire common shares of the Corporation are exercisable at a price of \$0.12 per share and expire until April 28, 2002.

	1999		1998		
	Number of Options	Exercise Price	Number of Options	Exercise Price	
Stock option outstanding					
-beginning of year	453,000	\$0.22	453,000	\$0.22	
Granted	437,000	\$0.12	0	\$0.00	
Exercised					
Cancelled	<u>(453,000)</u>	<u>\$0.22</u>	<u>0</u>	<u>\$0.00</u>	
Stock option outstanding					
- end of year	<u>437,000</u>	<u>\$0.12</u>	<u>453,000</u>	<u>\$0.22</u>	
Exercisable at year end	<u>437,000</u>	<u>\$0.12</u>	<u>151,000</u>	<u>\$0.22</u>	
	<u>Options Outstanding</u>		<u>Options Exercisable</u>		
	Number Outstanding at 12/31/99	Remaining Contractual Life	Exercise Price	Number Exercisable at 12/31/99	Exercise Price
	<u>437,000</u>	<u>2.33</u>	<u>\$0.12</u>	<u>437,000</u>	<u>\$0.12</u>

5. INCOME TAXES

The provision for income taxes differs from the amount that would have been expected by applying corporate income tax rate to income before taxes. The principal reasons for these differences are as follows:

	1999 \$	1998 \$
Income before taxes	203,171	131,619
Statutory income tax rate	44.62%	44.62%
Anticipated tax provision	90,654	58,728
Increase (decrease) in income tax resulting from		
Non-deductible crown payments	88,782	85,543
Alberta royalty tax credit	(35,180)	(42,421)
Resource allowance	(55,473)	(39,572)
Other	2,201	(2,278)
Income taxes	<u>90,985</u>	<u>60,000</u>

The Corporation has available for deduction against future taxable income, non-capital loss carry forwards, undepreciated capital costs, Canadian exploration expense, Canadian development expense and Canadian oil and gas property expense aggregating approximately \$809,000 (1998 - \$958,000).

6. CHANGES IN NON-CASH WORKING CAPITAL RELATED TO OPERATIONS

	1999 \$	1998 \$
Accounts receivable	35,208	(91,186)
Prepaid expenses	1,319	(7,912)
Accounts payable	<u>22,127</u>	<u>(37,639)</u>
	<u>58,654</u>	<u>(138,737)</u>

The following net cash payments have been included in the determination of earnings:

	1999 \$	1998 \$
Interest paid	66,039	63,462

7. FINANCIAL INSTRUMENTS

Financial instruments of the Corporation consist mainly of accounts receivable, accounts payable and accrued liabilities, and long term debt. As at December 31, 1999, there are non-significant differences between the carrying amount of accounts receivable, accounts payable and accrued liabilities and long term debt and their estimated market values.

CORPORATE INFORMATION

OFFICERS

Roland T. Valentine, President
Murray G. Coleman, Corporate Secretary
David C. Yu, Controller

DIRECTORS

Roland T. Valentine, Director ⁽¹⁾
Donald J. Douglas, Director ⁽¹⁾
J. Victor Rogers, Director ⁽¹⁾

⁽¹⁾ Member of the Audit Committee

CORPORATE OFFICE

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Calgary, Alberta T2P 3E6
Telephone: (403) 263-0800
Telefax: (403) 263-0811
TRAFINA e-mail: trafina@canada.com
Roland Valentine e-mail: rollyv@telusplanet.net

BANK

The Bank of Nova Scotia
Calgary Commercial Banking Centre and Main Branch
240 - 8th Avenue SW
Calgary, Alberta T2P 2N7

LEGAL COUNSEL

Bennett Jones
4500 Bankers Hall East
855 - 2nd Street SW
Calgary, Alberta T2P 4K7

STOCK LISTING

Canadian Venture Exchange
Trading symbol for Class A Common Shares
"TFA•A"

AUDITORS

KPMG LLP
Chartered Accountants
1200, 205 - 5th Avenue SW
Calgary, Alberta T2P 4B9

TRANSFER AGENT

Montreal Trust
600, 530 - 8th Avenue SW
Calgary, Alberta T2P 3S8

ENGINEERING CONSULTANTS

Sproule Associates Limited
Sun Life Plaza, #900, North Tower
140 Fourth Avenue SW
Calgary, Alberta T2P 3N3

Ryder Scott Company
3700, 700 - 2nd Street SW
Calgary, Alberta T2P 2W2

IN MEMORIAL TO:

JOHN T. VERNON, P.Eng.

John T. Vernon was
Manager of Operations and Production
with Trafina Energy Ltd. and passed
away suddenly on May 15, 2000
at the age of 52.

John will be sorely missed by his family,
friends and colleagues.

A solid teal vertical bar runs along the left edge of the page.

TRAFINA
ENERGY LTD.

888, 505 - 3 Street S.W.
Calgary, Alberta T2P 3E6